

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----261541 062321 /47

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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 7412

S E C R E T SECTION 1 OF 5 JIDDA 1530

EXDIS

S/S FOR PETER TARNOFF

E.O. 11652: GDS
TAGS: PFOR, US, XF
SUBJECT: RIYADH CHIEFS OF MISSION MEETING

REF: STATE 43135

1. FOLLOWING IS DRAFT OF MEMORANDUM OF CONVERSATION OF RIYADH
CHIEFS OF MISSION MEETING.

2. PARTICIPANTS:

THE SECRETARY'S PARTY

SECRETARY OF STATE CYRUS R. VANCE

UNDER SECRETARY FOR POLITICAL AFFAIRS PHILIP C. HABIB

ASSISTANT SECRETARY OF NEAR EASTERN AND SOUTH ASIAN

AFFAIRS ALFRED L. ATHERTON, JR.

ASSISTANT SECRETARY FOR PUBLIC AFFAIRS HODDING CARTER III

DIRECTOR OF INTELLIGENCE AND RESEARCH HAROLD H. SAUNDERS

DIRECTOR OF POLICY PLANNING STAFF W. ANTHONY LAKE

NATIONAL SECURITY COUNCIL STAFF MEMBER WILLIAM B. QUANDT

EXECUTIVE ASSISTANT TO THE SECRETARY PETER TARNOFF

SPECIAL ASSISTANT TO ASSISTANT SECRETARY ATHERTON

EDWARD ABINGTON, JR.

PENINSULA/GULF CHIEFS OF MISSION

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AMBASSADOR WILLIAM J. PORTER, SAUDI ARABIA

AMBASSADOR FRANK E. MAESTRONE, KUWAIT

AMBASSADOR FRANCOIS M. DICKMAN, UNITED ARAB EMIRATES

AMBASSADOR WILLIAM D. WOLLE, MUSCAT

AMBASSADOR THOMAS J. SCOTES, YEMEN

AMBASSADOR ROBERT P. PAGANELLI, QATAR

AMBASSADOR WAT T. CLUVERIUS, IV, BAHRAIN

MR. MARSHALL W. WILEY, CHIEF, U.S. INTERESTS
SECTION, BAGHDAD
MR. HUME A. HORAN, DEPUTY CHIEF OF MISSION, EMBASSY
JIDDA
MR. ROBERT J. BUSHNELL, CONSUL GENERAL, DHAHRAN
MR. JESSE W. LEWIS, JR., POLITICAL/MILITARY AFFAIRS
OFFICER, EMBASSY JIDDA (NOTETAKER)
SUBJECT: SECRETARY VANCE'S MEETING WITH PENINSULA/GULF
CHIEFS OF MISSION

DATE AND PLACE: GUEST PALACE, RIYADH, SAUDI ARABIA,
0845, FEBRUARY 20, 1977

SECRETARY VANCE OPENED THE MEETING BY SAYING THAT
UNFORTUNATELY HIS TRIP TO THE MIDDLE EAST, PARTICULARLY TO
SAUDI ARABIA WAS ALL TOO BRIEF. HE SAID HE WANTED TO SPEAK
TO THREE POINTS:

(1) U.S. POLICY TOWARD THE MIDDLE EAST, (2) THE ATMOSPHERE
IN WASHINGTON, AND (3) THE RESULTS OF HIS TRIP.

THE SECRETARY SAID THAT OBVIOUSLY THE UNITED STATES
HAS A VITAL CONCERN WITH THE OIL RESOURCES IN THE MIDDLE
EAST. THE UNITED STATES IS ALSO INTERESTED THAT POLITICAL
EVOLUTION IN THE AREA TAKES PLACE IN AN ORDERLY MANNER. HE
SAID THAT WE ARE CONCERNED WITH THE EXTRA NEEDS OF THE AREA
FOR ECONOMIC ASSISTANCE AND THE RELATIONSHIP BETWEEN SOCIAL
AND ECONOMIC PROBLEMS. THE LEADERS HE HAD MET DURING HIS
TRIP ARE WELL AWARE THAT THEY MUST MAKE EXCESSIVE EXPENDI-
TURES ON ARMS TO THE DETRIMENT OF DEVELOPING THEIR ECONO-
MIES. HE SAID THAT HE BELIEVED THEM WHEN THEY SAY THEY

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HAVE A DESIRE TO REORIENT THESE EXPENDITURES.
ON U.S. POLICY ON ARMS SALES, THE SECRETARY POINTED OUT
THAT THE PRESIDENT SAID DURING HIS CAMPAIGN AND HAS REPEATED
SINCE HE TOOK OFFICE THAT HE WANTS TO REDUCE THE TRANSFER
OF ARMS THROUGHOUT THE WORLD. HE SAID THAT THE PRESIDENT
RECOGNIZES THAT THE UNITED STATES IS THE LARGEST MANUFAC-
TURER AND SELLER OF ARMS AND THAT WE CANNOT UNILATERALLY
REDUCE THEIR TRANSFER BUT THAT WE CAN TAKE THE LEADERSHIP.
HE SAID THAT THE UNITED STATES HAS NOW UNDERTAKEN A
TWO-FOLD ANALYSIS AND PROGRAM: (1) TO DETERMINE WHAT OUR
ARMS POLICIES SHOULD BE AND (2) DISCUSS WITH INTERNATIONAL
SUPPLIERS AND CONSUMERS OF ARMS TO SEE WHAT CAN BE DONE
TO REDUCE THIS TRAFFIC. HE SAID RATHER THAT THE TWO ARE
IMMENSELY COMPLICATED.
SEC VANCE SAID THAT THE U.S. HAS STARTED TO EXPLORE
THE SUBJECT OF ARMS CONTROL WITH GREAT BRITAIN, WEST
GERMANY AND THE SOVIET UNION, AND EACH HAS EXPRESSED A
WILLINGNESS TO DISCUSS THE SUBJECT. HE SAID, HOWEVER,
THAT THE SOVIETS MAINTAIN THAT AS LONG AS THE MIDDLE EAST

POLITICAL SITUATION IS AS IT IS THERE CAN BE NO SERIOUS DISCUSSION OF ARMS SALES TO THIS AREA. THE SECRETARY SAID HE EXPECTED THE STUDIES TO BE COMPLETE IN ABOUT A MONTH TO SIX WEEKS, AND IT WILL BE AFTER THAT WHEN THE UNITED STATES CAN MAKE A DECISION IN THIS AREA. HE SAID THAT THE DEPARTMENT WILL TRY TO KEEP THE MISSIONS FULLY INFORMED FOR THEIR GUIDANCE AND DISCUSSION.

ON ENERGY POLICY SEC. VANCE SAID THE PRESIDENT AND LEADERS OF CONGRESS AGREE THAT NOTHING IS MORE IMPORTANT THAN TO COME UP WITH AN ENERGY POLICY. HE SAID THAT IN EARLY APRIL NEW LEGISLATION WILL BE INTRODUCED AND PUSHED THROUGH. HE SAID SUCH A POLICY IS IMPORTANT NOT ONLY TO THE UNITED STATES BUT IMPORTANT FOR FOREIGN PERCEPTIONS, PARTICULARLY IN THE MIDDLE EAST. "NO ONE CAN TAKE US SERIOUSLY UNTIL WE SET UP OUR OWN POLICY." THE SECRETARY SAID A LOT OF PEOPLE HAVE "BROKEN THEIR LANCE" ON THIS SITUATION BUT IT IS NOW CHANGED. WE ARE NO LONGER ON THE SECRET

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ROAD OF APATHY; WE MUST FACE UP TO THE FACTS. ON THE BOYCOTT SEC. VANCE SAID THAT HEARINGS IN THE SENATE WILL BEGIN ON FEBRUARY 28 AND IN THE HOUSE ON MARCH 1. HE SAID THAT HE HAS DISCUSSED THE ISSUE AT SOME LENGTH WITH CROWN PRINCE FAHD AN FOREIGN MINISTER PRINCE

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INFO OCT-01 ISO-00 SSO-00 /026 W
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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 7413

S E C R E T SECTION 2 OF 5 JIDDA 1530

EXDIS

S/S FOR PETER TARNOFF

SAUD. THE ADMINISTRATION WILL BE DECIDING WITH BENEFIT OF ADVICE FROM ALL ON HOW TO PROCEED. IF THE U.S. DOES NOT COME UP WITH SOME RESPONSIBLE FORM OF LEGISLATION THE CONGRESS MAY COME UP WITH SOME VERY DELETERIOUS LEGISLATION ON ITS OWN. THE SECRETARY THINKS THERE IS A CHANCE TO SHAPE THE LEGISLATION.

FINALLY ON THE TRIP--SEC. VANCE SAID THIS WAS PRIMARILY A FACT-FINDING TRIP AND THAT IT UNDERLINES HOW IMPORTANT FINDING A SOLUTION TO THE MIDDLE EAST PROBLEM IS TO THE PRESIDENT AND TO HIMSELF. HE HAS TALKED EXTENSIVELY WITH HIS PREDECESSOR, WITH UNDER SECRETARY HABIB AND ASSISTANT SECRETARY ATHERTON, AND THEY ALL FELT IT WAS IMPORTANT TO GO MEET THE GOVERNMENT LEADERS AND TO ASK EACH FOR THEIR VIEWS. THE TRIP SO FAR HAD GIVEN HIM THE CHANCE TO LEARN FIRST HAND BOTH THE SUBSTANTIVE AND PROCEDURAL ISSUES. HE SAID THAT THE MAIN TASK THAT FACES THE UNITED STATES IS HOW TO BRIDGE THE GAPS BETWEEN THE ISRAELI AND THE ARAB POSITIONS. THE ARAB POSITIONS ARE SIMILAR BUT THERE ARE SOME VARIANCES, SOME VERY SUBSTANTIAL DIFFERENCES. ONE DIFFERENCE IS HOW EACH SEES PEACE AND WHAT IT MEANS TO THEM. NEVERTHELESS, EACH IS PREPARED TO GO TO GENEVA IN THE FALL OF 1977. HE SAID THAT PROCEDURE IS IN SOME CASES JUST AS IMPORTANT AS SUBSTANCE. THERE IS GENERAL AGREEMENT AMONG THE PARTIES
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THAT IF PROCEDURAL ISSUES ARE RESOLVED THEY WILL GO TO GENEVA WITH NO PRECONDITIONS ON SUBSTANCE. HE SAID THE ISSUE OF THE PLO IS AT THE THRESHOLD. BUT THE PLO QUESTION IS A MIXTURE OF PROCEDURE AND SUBSTANCE AT THE SAME TIME. SEC. VANCE SAID KING HUSSEIN EXPRESSED HIS CONCERN ABOUT OVER-OPTIMISM, AND TALKED AT SOME LENGTH ABOUT THE DIFFICULTIES AND DANGERS OF DISILLUSIONMENT IF RAPID PROGRESS IS NOT MADE. KING HUSSEIN, HE SAID, RECOGNIZED THAT WE MUST TRY AT LEAST TO START THE PROCESS. THE SECRETARY THEN OPENED UP THE MEETING TO THE ASSEMBLED AMBASSADORS AND CHIEFS OF MISSION.

AMBASSADOR MAESTRONE SAID THAT THE RULER OF KUWAIT TOLD HIM THAT THERE IS A NEED TO BEGIN OFFICIAL CONTACTS WITH THE PLO. THE AMBASSADOR SAID THE RULER OF KUWAIT SAID THE PLO WILL NOT MOVE TO RECOGNIZE ISRAEL OR ACCEPT THE UNITED NATIONS RESOLUTIONS WITHOUT SOME OFFICIAL U.S. CONTACT WITH THE PLO. HE SAID KUWAIT IS WILLING TO ARRANGE A MEETING ANYWHERE IN THE ARAB WORLD BETWEEN THE UNITED STATES AND THE PLO.

SECRETARY VANCE SAID THAT THE QUESTION IS WHAT IS EFFECTIVE AND WHAT WILL ENHANCE OUR OWN USEFULNESS TO ACT AS A BRIDGE. HE SAID IN HIS TALKS IN EGYPT PRESIDENT SADAT SAID THAT THERE WOULD BE A CHANGE IN THE ATTITUDE OF THE PALESTINAIN MOVEMENT AT THE MARCH MEETING OF THE PALESTINE NATIONAL COUNCIL.

AMBASSADOR MAESTRONE SPOKE OF A CHICKEN AND EGG
SITUATION--WHICH COMES FIRST: THE CHANGE OF THE PLO
OR U.S. CONTACT WITH THE ORGANIZATION? UNDER SECRETARY
HABIB OBSERVED THAT KING HUSSEIN QUESTIONS WHO THE PLO
REPRESENTS, SAYING ONLY 10 PERCENT OF THE PALESTINIANS WOULD
FOLLOW THE PLO. SECRETARY VANCE SAID THAT THE SAUDIS SAY
THAT THAT'S JUST NOT TRUE. AMB. MAESTRONE COMMENTED THAT
KUWAIT FEELS THE SAME WAY AS SAUDI ARABIA. AMB SCOTES
SAYS THAT THE UNITED STATES MUST BE ABLE TO DIFFERENTIATE
BETWEEN PALESTINIANS, ADDING THAT THERE ARE MODERATE ELE-
MENTS WITHIN THE PLO THAT CAN BE ENCOURAGED BY SIGNALS
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FROM THE UNITED STATES. HE SAID SOME WAY MUST BE FOUND TO
CONTACT THEM. UNDER SECRETARY HABIB SAID THAT THE CENTRAL
QUESTION IS WHETHER THE PLO ACCEPTS THE UN RESOLUTIONS
AND THAT PEOPLE WAITED TO LOOK FORWARD TO THE CONVENING OF
THE PALESINE NATIONAL CONGRESS IN CAIRO. AMB PORTER SAID
THAT THE PEOPLE WHO OWN THE COVENANT OUGHT TO CHANGE IT.
SECRETARY VANCE SAID THAT HE HAD HEARD THAT ARAFAT'S
LEADERSHIP IS FRAGILE AND THAT HE MAY PASS FROM THE SCENE.
AMB PORTER SAID THAT HE HAS MORE STRENGTH THAN HE GETS
CREDIT FOR AND THAT THE SAUDIS SUPPORT ARAFAT STRONGLY.
AMB MAESTRONE SAYS THAT ARAFAT HAS SIMILAR STRONG SUPPORT
FROM KUWAIT. AMB PORTER, EMPHASIZING THAT HE FAVORS CON-
TACT, SAID THAT IF THERE WAS A REFERENDUM TODAY ARAFAT WOULD
WIN. HE NOTED HOWEVER THAT REVOLUTIONARY MOVEMENTS USUALLY
CHANGE THEIR LEADERSHIP AFTER THEIR GOALS ARE ACHIEVED,
AND DOUBTED IF WE SHOULD REGARD ARAFAT AS THE LONG-RUN
LEADER OF PALESTINIANS, EVEN IF SOME OF THEIR ASPIRATIONS
WERE REALIZED. ASSSISTANT SECRETARY ATHERTON SAID THAT THE
EFFECT ON ISRAEL OF A U.S. MOVE TO RECOGNIZE OR DEAL OFFI-
CIALLY WITH THE PLO CANNOT BE UNDERESTIMATED. HE SAID IT
IS LIKELY TO CAUSE AN EXPLOSION IN ISRAEL AND MIGHT UNDER-
MINE OUR GOAL OF BRINGING THE ISRAELIS ALONG TO ACCEPT A
SETTLEMENT. SEC. VANCE SAID PRESIDENT SADAT TOLD HIM DEFIN-
ITELY THAT "THERE WILL BE A CHANGE AT THE MARCH MEETING."

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 7414

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EXDIS

S/S FOR PETER TARNOFF

AMB CLUVERIUS SAID THAT HE FAVORS KEEPING DISTANCE FROM THE PLO AT THIS TIME. UNDER SECRETARY HABIB SAID THE KEY IS THE PLO ACCEPTING THE UN RESOLUTIONS AND THE CHANGE IN THE PLO COVENANT. HE SAID THE UNITED STATES HAS SAID THAT UNTIL THE PLO CHANGES ITS STAND ON THESE TWO ISSUES THERE CAN BE NO CONTACT. BY IMPLICATION THAT MEANS THAT ONCE THERE IS A CHANGE ON THESE ISSUES THERE WOULD BE CONTACT. AMB MAESTRONE FELT THAT THE UNITED STATES COULD WAIT UNTIL THE MARCH MEETING HAD CONCLUDED. DCM HORAN SAID THE PLO CANNOT BE EXPECTED TO COME OUT FOUR-SQUARE AND CHANGE ITS COVENANT. ARAFAT IS A MASTER COMPROMISER WHOSE ROOM FOR MANEUVER IS LIMITED BY THE NEED TO BRING TOGETHER MANY DIVERS ELEMENTS IN THE PLO. THE MOST WE COULD HOPE FOR FROM ARAFAT THEREFORE ARE HINTS AND IMPLIED MODIFICATIONS OF POSITION--BUT NOTHING AS EXPLICIT AS THE UNITED STATES WOULD LIKE. MR WILEY SAID THE PLO WOULD NOT CHANGE IF THERE IS NO APPARENT GAIN TO BE MADE BY CHANGING AND HE SAID HE FAVORED SOME INDIRECT CONTACT. THE GROUP THEN DISCUSSED THE BOYCOTT. MR WILEY SAID THAT IRAQ TAKES THE HARD LINE, HE SAID THE US HAS LOST A LOT OF BUSINESS IN IRAQ TO THE WEST GERMANS AND THE JAPANESE WHICH ARE AHEAD OF THE UNITED STATES IN TRADE. HE SAID THE IRAQIS FEEL VERY STRONGLY ABOUT THE BOYCOTT. SEC VANCE
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SAID THAT ALL OF THE AMBASSADORS OUGHT TO BE PREPARED FOR A VERY NOISY HEARING IN BOTH THE SENAT AND THE HOUSE. MR ATHERTON SAID THAT AMBASSADORS OUGHT TO TELL THEIR COUNTRIES HOWEVER THAT THE US GOVERNMENT IS AWARE OF THEIR SENSITIVITIES ON THIS MATTER. MR WILEY SAID THE IRAQIS FEEL THAT THE ISSUE IS GREATLY DISTORTED IN THE PRESS AND IS PRESENTED AS A RACIAL AND RELIGIOUS ISSUE RATHER THAN A POLITICAL ONE. SEC VANCE SAID THAT THERE SEEMS TO BE MOVEMENT AND ROOM FOR COMPROMISE ON THE QUESTION OF NEGATIVE-POSITIVE CERTIFICATION. AMB DICKMAN SAID THAT THE HEARINGS ARE VIEWED BY MANY ARABS, PARTICULARLY IN THE UAE, AS A WAY OF SLOWING DOWN THE PEACE PROCESS. HE HAS

DISCOVERED THAT SOME US FIRMS ARE NOT BIDDING ON PROJECTS BECAUSE OF UNCERTAINTY OVER WHAT SORT OF LEGISLATION WILL EMERGE FROM THE HEARINGS. SEC VANCE SAID THAT ONE POSITIVE FACTOR IS THAT MR SHAPIRO, WHO IS PRESIDENT OF DUPONT, IS WORKING WITH B'NAI BRITH TRYING TO WORK OUT A COMPROMISE THAT WILL TAKE ACCOUNT OF THE INTERESTS OF BOTH THE JEWISH AND BUSINESS COMMUNITIES IN THE UNITED STATES. MR ATHERTON SAID THAT THE B'NAI BRITH-SHAPIRO CONVERSATIONS ARE FAR FROM AGREEMENT BECAUSE THEY HAVE JUST STARTED, BUT IT IS IMPORTANT THAT SUCH AN EFFORT IS UNDERWAY. HE ALSO OBSERVED ANOTHER NOTEWORTHY DEVELOPMENT IS THAT US COMPANIES ARE BEGINNING TO LOBBY ON THE HILL TO TRY TO MAKE SURE THAT THE LEGISLATION THAT EMERGES IS REASONABLE.

AMB PORTER OBSERVED THAT THE SAUDIS ARE ENCOURAGING AMERICAN FIRMS TO SPEAK OUT AND NOT LEAVE THE FIELD TO THE CRITICS. AMB PAGANELLI SAID THAT HE FELT HIS COLLEAGUES WERE PREPARED FOR THE NOISE FROM THE HILL BUT ASKED HOW MUCH COUNTERNOISE THERE WILL BE FROM THE ADMINISTRATION WHICH THE AMBASSADORS IN THE ARAB WORLD COULD ADDUCE TO HELP PREVENT THE US POSITION FROM DETERIORATING. SEC VANCE SAID THAT OUR POSITION IS WELL KNOWN, THAT WE WILL SUPPORT CURRENT LEGISLATION BUT THE KEY OF THE US POSITION WILL BE ANNOUNCED BY HIM ON THE 28TH OF FEBRUARY WHEN HE WILL

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MAKE THE STATEMENT ON BEHALF OF THE ADMINISTRATION ON THE HILL. AMB PORTER SAID THAT US CONTRACTING FIRMS LIKE THE CORPS OF ENGINEERS AND BECHTEL ARE SUBMITTING LISTS OF SUBCONTRACTING FIRMS IN SAUDI ARABIA AND IF ANY ARE UNACCEPTABLE TO THE SAUDIS THEN THEY, THE SAUDIS, REMOVE THEM. THIS WAY THERE IS NO OFFENSIVE LANGUAGE IN THE CONTRACTS NOR ANY OFFENSIVE TASKS PUT BEFORE AMERICAN FIRMS TO AVOID ANY DIFFICULTIES WITH THE BOYCOTT. AMB DICKMAN SAID THE HOST GOVERNMENT APPROVING THE SUBCONTRACTOR LISTS IN ADVANCE MIGHT BE ACCEPTABLE TO THE UAE. AMB PORTER SAID THAT LETTERS OF CREDIT ARE AN ENTIRELY DIFFERENT QUESTION. SEC VANCE SAID THAT PRINCE SAUD HAS TOLD HIM THAT THE SAUDIS RECOGNIZE THAT THE UNITED STATES HAS A RIGHT TO PASS LAWS AFFECTING THE UNITED STATES, BUT THE UNITED STATES OUGHT NOT TRY TO TELL SAUDI ARABIA TO CHANGE ITS LAWS. IT IS PERFECTLY ACCEPTABLE AND UNDERSTANDABLE THAT THE UNITED STATES WILL DEVISE ANTI-TRUST LAWS AFFECTING THE CONDUCT OF ITS FIRMS BUT THEY OUGHT NOT TRY TO INFLUENCE WHAT SAUDI ARABIA WILL DO. AMB PORTER SAID THEY WOULD HAVE TO BE CAREFUL, PARTICULARLY IN SAUDI ARABIA, AGAINST APPEARING TO FORCE THE SAUDIS INTO ANY POSITION. HE SAID THEY ARE MORE LIKELY TO CHANGE IF THEY HAVE THE OPPORTUNITY TO DO SO WITHOUT COERTION.

AMB DICKMAN SAID THERE IS GREAT CONFUSION AND LITTLE

DISTINCTION MADE BETWEEN THE PRIMARY, SECONDARY AND TERTIARY
BOYCOTT. MR HABIB ASKED WHETHER AFTER CONGRESSIONAL VISITS,
DO ANY CONGRESSMEN COME AWAY WITH THE IMPRESSION THAT NO
LEGISLATION IS NECESSARY. AMB PORTER SAID THAT HE HAD TAKEN
CONGRESSMAN SOLARZ (DEMOCRAT-NEW YORK) TO SEE CROWN PRINCE
FAHD AND THERE WAS NO APPARENT CHANGE IN HIS CONVICTION
THAT THERE WAS NEED FOR FURTHER ANTI-BOYCOTT LEGISLATION.
HE ADDED THAT AS LONG AS HE HAS BEEN AMBASSADOR TO SAUDI
ARABIA THERE HAS BEEN NO VISA REFUSED THAT HAS COME TO HIS
ATTENTION. AMB PORTER SAID THAT THE SAUDI GOVERNMENT IS

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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 7415

S E C R E T SECTION 4 OF 5 JIDDA 1530

EXDIS

S/S FOR PETER TARNOFF

VERY CAREFUL NOT TO EMBARRASS OR TAMPER WITH THE RELA-
TIONSHPs IT HAS WITH, FOR EXAMPLE, THE CORPS OF ENGINEERS,
OR OTHER LARGE AMERICAN FIRMS. MR BUSHNELL SAID THAT THE
BOYCOTT AND THE POSSIBILITY OF VERY STRINGENT LEGISLATION
HAS CREATED A GREAT DEAL OF UNCERTAINTY AMONG US COMPANIES
OPERATING IN THE EASTERN PROVINCE OF SAUDI ARABIA. HE SAID
ARAMCO AND OTHERS ARE CONSIDERING CHANGING FROM A DELAWARE
CORPORATION TO AN OFFSHORE--PERHAPS EVEN A SAUDI--CORPORATION
TO AVOID BEING SUBJECT TO US LAW ON ANTI-BOYCOTT ISSUES.
HE SAID BILLIONS OF DOLLARS IN PROJECTS ARE AT STAKE, SUCH
AS THE \$16-20 BILLION GAS COLLECTION PROJECT AND THE ELECTRI-
FICATION PROJECT. HE SAID MANY FIRMS ARE LOOKING FOR ALTER-
NATIVES TO US SUPPLIERS AND THAT A SHIFT AWAY FROM THE US
TO WEST GERMANY AND JAPAN HAS ALREADY STARTED. AMB PORTER
SAID THERE MAY BE A SHIFT BUT THE OVERALL VALUE OF US
CONTRACTS IS INCREASING AND IT MIGHT BE OF SOME VALUE TO ASSIST
OTHER WESTERN ECONOMIES THAT NEED HELP. AMB MAESTRONE SAID
THAT JAPAN HOWEVER NEEDS NO SUCH ASSISTANCE. AMB PAGANELLI
SAID THAT OUR POLICY OF ACCOMMODATION AND PRAGMATISM WILL GO

DOWN THE DRAIN VERY QUICKLY IF TOUGH ANTI-BOYCOTT LEGISLATION EMERGES FROM CONGRESS. SEC VANCE SAID THAT IN HIS CONVERSATIONS WITH CONGRESSIONAL LEADERS THEY HAVE MADE IT QUITE CLEAR THAT IT IS AN IMPORTANT DOMESTIC ISSUE.

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RETURNING TO ENERGY, SEC VANCE SAID THAT SAUDI OIL MINISTER AHMAD ZAKI YAMANI DOUBTED IF ANY MEANINGFUL ENERGY BILL WOULD BE DEvised BY THE US. THE SECRETARY SAID THAT HE TOLD CROWN PRINCE FAHD THAT IT WAS A STATESMANLIKE ACT FOR SAUDI ARABIA AND THE UAE TO HAVE ONLY A MODERATE OIL PRICE INCREASE. HE SAID THE CROWN PRINCE FAHD SAID THAT SAUDI ARABIA'S STAND WAS A UNILATERAL ACT TO HELP THE WORLD ECONOMY PARTICULARLY THAT OF THE DEVELOPING COUNTRIES. AMB MAESTRONE ASKED WHAT CAN BE DONE TO GET OTHERS TO JOIN THE SAUDI CLUB. SEC VANCE SAID WE SHOULD URGE OTHERS TO DO SO; HE ADDED THAT SAUDI PRODUCTION INCREASE WOULD BE MUCH MORE MEANINGFUL IF EUROPE WOULD AMEND ITS STANDARD ON SULFUR CONTENT OF PETROLEUM WHICH WOULD HAVE MORE EFFECT ON OIL PRICING AND AVAILABILITY. AMB DICKMAN SAID IT WOULD BE HELPFUL IF THE PRESIDENT WERE TO WRITE SHAYKH ZAYED, LEADER OF THE UAE, THANKING HIM FOR HIS POSITION AT DOHA'S OPEC MEETING. OTHER GULF LEADERS WOULD BE AWARE THAT THEY HADN'T RECEIVED A PRESIDENTIAL LETTER. THE SECRETARY AGREED TO THE PROPOSAL. MR ATHERTON ASKED MR ABINGTON TO MAKE NOTE OF IT. AMB MAESTRONE SAID THAT IRAN IS THE KEY AND ASKED IF THERE IS ANY POSSIBILITY OF PUTTING PRESSURE ON THE SHAH. SEC VANCE SAID THAT THAT IS BEING EXPLORED.

AMB DICKMAN SAID THAT THE NEW TAX LEGISLATION AFFECTING AMERICANS WORKING ABROAD IS HURTING US INTERESTS. HE SAID HOUSING AND COST OF LIVING ALLOWANCES ARE TAXED AS IF IT WAS INCOME DEPRIVING MANY AMERICANS OF THE INCENTIVE TO WORK ABROAD. HE SAID THE COMBINED COST OF LIVING AND HOUSING ALLOWANCES ARE OFTEN MUCH MORE THAN THE TOTAL SALARY. SUCH LEGISLATION HAS THE EFFECT OF REDUCING THE NUMBER OF US EMPLOYEES OVERSEAS AND COULD HAVE A LONGTERM ADVERSE EFFECT ON US EMPLOYMENT AND SALES. MR HABIB SAID THAT THE ADMINISTRATION WILL NOT SPONSOR ANY LEGISLATION AMENDING THAT PROVISION OF THE TAX LAW, HOWEVER THE ADMINISTRATION MAY SUPPORT AND CONCUR IN SUCH A CHANGE. HE WAS SKEPTICAL THAT THE TAX LAW COULD BE CHANGED--AS SENATOR BARTLETT PROPOSED--SOME CONGRESSIONAL ATTITUDES WERE VERY TOUGH ON TAXES. AMB

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MAESTRONE OBSERVED THAT IT IS A QUESTION OF US POLICY--TO PROMOTE US BUSINESS ABROAD--AND THE EFFECT OF REDUCING

US EMPLOYEES OVERSEAS WILL HAMPER THE ABILITY OF THE UNITED STATES TO DO BUSINESS ABROAD. MR BUSHNELL GAVE THE EXAMPLE OF THE SAUDI UNIVERSITY OF PETROLEUM AND MINERALS (DHAHRAN) WHICH HOPES TO BECOME TH M.I.T. OF THE MIDDLE EAST. HE SAID THE UNITED STATES IS THE PRIME SOURCE OF RECRUITMENT BUT THE HIGH COST OF RETAINING AMERICAN PERSONNEL BECAUSE OF THE NEW TAX LEGISLATION IS CAUSING THEIR NUMBERS TO DROP AND CREATING BUDGET AND MORALE PROBLEMS. GERMAN AND BRITISH FACULTY MEMBERS HAVE COMPLAINED BITTERLY WHEN THEY REALIZE THAT AMERICAN EMPLOYEES ARE GETTING FAR MORE FOR DOING THE SAME JOB. AMB DICKMAN ASKED WHETHER IT WOULD BE POSSIBLE WHEN THE UAE OIL MINISTER COMES TO WASHINGTON FOR THE SECRETARY TO SEE HIM AND ASKED IF THE SECRETARY WOULD CONSIDER A VISIT BY SHAYKH ZAYED TO THE UNITED STATES IN 1977-78.

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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC IMMEDIATE 7416

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EXDIS

S/S FOR PETER TARNOFF

MR WILEY SAID THAT IRAQ IS VERY HOSTILE TO THE UNITED STATES AND THAT ITS BA-THI REGIME COULD BE A SIGNIFICANT POWER FOR GOOD OR FOR BAD IN THE MIDDLE EAST. THE REGIME HAS BEEN IN POWER SINCE 1963, AND ALTHOUGH IT MAY BE THE AREA'S MOST THOROUGH-GOING IT HAS BROUGHT ORDER AND METHOD OF A SORT TO THE REFRACTORY COUNTRY. HE SAID THAT IRAQ DID NOT OBJECT TO GENEVA BECAUSE IT IS CONVINCED THAT THE TALKS WILL FAIL AND THEN IRAQ COULD CAUSE TROUBLE FOR OTHER REGIMES WHO COMPROMIESED ON KEY ISSUES. HE SAID THE IRAQI REGIME IS RECRUITING HIGH SCHOOL STUDENTS IN IRAQ AND STUDENTS FROM OTHER COUNTRIES AND BUILDING UP A FORMIDABLE CADRE. THE SECRETARY ASKED WHETHER A MOVE TO IMPROVE DIPLOMATIC RELATIONS MIGHT CAUSE A REDUCTION OF IRAQ'S HOSTILITY TO THE US. MR WILEY SAID THAT WE HAVE ALWAYS MADE IT CLEAR THAT

WE ARE READY TO RESUME DIPLOMATIC RELATIONS BUT THE IRAQIS HAVE NOT RESPONDED. SEC VANCE SAID THAT THERE HAD BEEN INDIRECT INDICATIONS THAT IRAQ MAY BE INTERESTED IN RESUMING DIPLOMATIC RELATIONS WITH THE US. MR WILEY ASKED IF THERE WAS AN ALTERNATIVE TO SOVIET MILITARY EQUIPMENT AND COULD THERE BE A BEGINNING OF US SUPPLY OF MILITARY EQUIPMENT TO IRAQ. MR HABIB SAID THAT THE TREND IS NOT TO DO THAT. AMB CLUVERIUS ASKED ABOUT THE FUTURE OF MIDDLE EAST FORCE AND SAID THAT BAHRAIN HAS EXPRESSED INTEREST IN THE
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F-5 AS A POSSIBLE QUID PRO QUO. MR HABIB SAID WE ARE NOW DETERMINING JUST HOW VALUABLE THE RETENTION OF MIDDLE EAST IS AND THAT DIEGO GARCIA IS BEING CONSIDERED AS AN ALTERNATIVE. BUT IN ANY CASE THERE WILL HAVE TO BE LONGER PORT VISITS AND HE IS WAITING FOR THE RESPONSES FROM VARIOUS POSTS IN THE GULF/RED SEA/INDIAN OCEAN AREA ON THE NEW FORMAT OF MIDDLE EAST FORCE.

MR BUSHNELL SAID THAT OIL PRODUCTION IS UP IN SAUDI ARABIA AND EQUIPMENT IS BEING ACQUIRED FOR FURTHER INCREASES. HE SAID THAT ARAMCO WAS ACQUIRING NEW RIGS, PIPELINE AND STEPPING UP EXPLORATION.

AMB WOLLE SAID HE HAS BEEN WAITING FOR TWO YEARS FOR THE FOLLOW THROUGH ON US INTENTIONS TOWARDS MASIRAH ISLAND. HE SAID THAT DR KISSINGER EXPRESSED INTEREST IN USING THE ISLAND AND RIGHT NOW MASIRAH HAS SIX P-3 MARITIME SURVEILLANCE FLIGHTS A QUARTER. HE SAID THE UK WILL BE WITHDRAWING SHORTLY AND THERE IS YET STILL NO CLEAR INDICATION OF WHAT US INTENTIONS ARE. HE SAID THAT MASIRAH ISLAND PROVIDES AN IDEAL PLACE FOR MONITORING SOVIET NAVAL MOVEMENTS AND OTHER INTELLIGENCE COLLECTION ACTIVITIES. THE OMANIS, HOWEVER, ARE FRUSTRATED BY THE ABSENCE OF A CLEAR US RESPONSE AND THAT THEY ASK WHAT ARE WE GOING TO DO. MR HABIB AGREED THAT IS TIME TO FISH OR CUT BAIT ON THIS ISSUE. HE SAID DOD HAD BEEN SLOW IN STATING ITS DEGREE OF NEED FOR MASIRAH, BUT ADDED A REPLY WOULD BE FORTHCOMING IN A WEEK. AMB WOLLE SAID THE OMANIS ARE CLOSER CULTURALLY TO SOUTH ASIA WITH VERY STRONG TIES TO THE UNITED KINGDOM. HE SAID THAT THE UK HAS SECONDED SOME 200 OFFICERS TO THE OMAN AIR FORCE AND THE ARMY. OMAN IS PROUD OF ITS ACHIVEMENT IN WINNING THE DHOFARI WAR.

AMB SCOTES SAID THAT THE UNITED STATES HAS HAD GREAT SUCCESS IN THE YEMEN BY ENCOURAGING MODERATE ELEMENTS TO EMERGE AND THEN TRYING TO STRENGTHEN THEM. THE US IS FOLLOWING THE SAUDI LEAD AND THE SOVIETS ARE JUST CLINGING ON BY THEIR FINGERTIPS. HE FELT THAT THE PDRY (SOUTH YEMEN) IS COMMUNIST--EVEN MORE SO THAN IRAQ--AND HAS PUT TO REST
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THE NOTION THAT ARABS CANNOT BECOME COMMUNIST. HE SAID THAT EAST GERMANS, CUBANS AND THE SOVIETS ADVISE THE POLICE DEPARTMENT. HE SJIALSO THAT NORTH YEMEN IS CONCERNED ABOUT EVENTS ACROSS THE HORN.

AMB PANANELLI SAID QATAR IS ONE OF THE LESS INSIGNIFICANT COUNTRIES ON THE PENINSULA. NEVERTHELESS, WE SHOULD NOT OVERLOOK QATAR'S TOTAL COMMITMENT TO THE ARAB CAUSE--READ PLO--AND ITS CONTRIBUTIONS OF \$200-400 MILLION A YEAR TO THE CONFRONTATION STATES AND THE PLO. THERE IS NO DOUBT HE THOUGHT THAT THE QATARIS WOULD SUPPORT ANOTHR EMBARGO. HE SAID HE FEELS QATAR SUFFERS FROM BENIGN NEGLECT, BY THE US AND HE WOULD LIKE TO SEE A US HIGH-LEVEL VISIT. QATARIS NEED SOME MORAL MASSAGING--IN OTHER WORDS MORE SIGNS OF VISIBL INTEREST FROM THE UNITED STATES. SEC VANCE ASKED MR ATHERTON TO SEE WHAT COULD BE DONE ABOUT HIGH-LEVEL VISITS AND ASKED WHETHER COUNTRIES WOULD ACCEPT A VISITOR OTHER THAN THE SECRETARY OF STATE.

AMB MAESTRONE SAID THAT ON THE QUESTION OF ARMS SALES, KUWAIT IS THE ONLY COUNTRY IN THE PENINSULA THAT FACES A DIRECT THREAT, MEANING IRAQ. THE UNITED STATES SURVEY OF THE KUWAITI ARMED FORCES HAS BEEN FOLLOWED TO THE LETTER. HE HOPES THAT THE RESULTS OF THE REVIEW WILL NOT TAMPER WITH MILITARY EQUIPMENT STILL IN THE PIPELINE. HE SAID THE KUWAITIS WERE CONCERNED ABOUT ASSISTANCE TO EGYPT AND DETERMINED THAT THEIR FINANCIAL AID NOT GO DOWN THE DRAIN. HE SAID KUWAIT WANTS IMF SUPERVISION ON HOW THAT MONEY IS USED. SEC VANCE THANKED THE ASSEMBLED AMBASSADORS AND CHIEFS OF MISSION AND SAID HE LOOKED FORWARD TO SEEING THEM AGAIN.

3. BECAUSE OF ITS LENGTH WE HAD PLANNED TO PUT THIS MEMCON IN FIRST CLASSIFIED POUCH AFTER COM MEETING (WHICH WOULD HAVE BEEN SUNDAY, FEBRUARY 27). HOWEVER WE ARE SENDING IT BY TELEGRAM PER INSTRUCTIONS REFTEL.
PORTER

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Message Attributes

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Sent Date: 26-Feb-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770067-1112
Format: TEL
From: JIDDA
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Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 77 STATE 43135
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3370349
Secure: OPEN
Status: NATIVE
Subject: RIYADH CHIEFS OF MISSION MEETING
TAGS: PFOR, PDIP, US, XF
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/0697acc9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009